

BEFORE THE DEPARTMENT OF JUSTICE
FOR THE STATE OF MONTANA

In the Matter of the Certificate)	PRELIMINARY
of Public Advantage Issued to)	FINDINGS CONCERNING
Benefis Healthcare, Great Falls,)	COMPLIANCE WITH TERMS
Montana.)	AND CONDITIONS

This matter is before the Department on review of the 2001 Annual Progress Report submitted by Benefis Healthcare under Mont. Code Ann. § 50-4-622 and Mont. Admin. R. 23.18.106. The progress report enables the Department to evaluate the impact of the hospital consolidation on the availability, cost effectiveness, quality, and delivery of health care services, and to determine whether the hospital has complied with the terms and conditions of the Certificate of Public Advantage (COPA), approving the consolidation.

I. BACKGROUND¹

The Department of Justice received the hospital's 2001 annual report and audited financial report on April 15, 2001. Thereafter, the Department received the reports of the Department of Public Health and Human Services (PHHS) and of the Independent Auditor.

1. Complete information regarding the particulars of the July 1996 COPA is available in the COPA itself and in related decisions issued by the Department. Documents are available from the Department on request by interested parties or on the Department of Justice website at <http://www.doj.state.mt.us/>.

PRELIMINARY FINDINGS CONCERNING COMPLIANCE WITH TERMS AND CONDITIONS

These submissions follow the March 1999 decision by the Department to grant limited modifications to the COPA regulation. In particular, of eight separate requests the hospital submitted, the Department approved the following two:

- an increase in the staffing ratio, which will allow approximately 74 additional employees. This change was intended to address concerns expressed by the public and Benefis employees relating to availability and responsiveness of nurses and other patient service staff.

- a change in the inflation index on which the revenue cap is calculated, using the Market Basket Inflation (MBI) index that takes into account the price of the materials and services it must purchase, rather than an index based on the change in the prices paid by those who purchase hospital services. It also may use the new inflation index in future calculations of its revenues.²

2. The Department's written decision on Benefis' request for modifications to the COPA is available at <http://www.doj.state.mt.us/>

PRELIMINARY FINDINGS CONCERNING COMPLIANCE WITH TERMS AND CONDITIONS

Having reviewed and carefully considered all information provided to date by the hospital, PHHS, and the independent accountant, the Department is prepared to enter preliminary findings regarding the extent of Benefis' compliance with the COPA.

However, pursuant to its authority under Mont. Admin. R. 23.18.106(3), the Department will follow its custom of soliciting public comment on Benefis' compliance with the COPA and will accept written comment for a period of 30 days following the issuance of these preliminary findings.

II. COMPLIANCE WITH TERMS AND CONDITIONS

A. Savings and Price Reductions

The Department adopts the report of the independent accountant, Myers and Stauffer LC, and finds that for the period ending December 31, 2001, the hospital has complied with the terms of the cost regulation imposed by the COPA. The Myers and Stauffer report is attached to this document and incorporated by reference.

Among its notable findings, the Myers and Stauffer report concludes that inpatient hospital prices have increased by about 6.1% and outpatient prices decreased by about 5.3% from 1995 levels. As compared to 2000, aggregate prices rose in 2001, with inpatient prices increasing by about 7.8% and outpatient prices increasing by 6.6%. Fiscal year 2001 marks the first time since the merger that aggregate prices have returned to or exceeded baseline levels. Overall prices in 2001 were 3.2% above baseline levels.

PRELIMINARY FINDINGS CONCERNING COMPLIANCE WITH TERMS AND CONDITIONS

Adjusted hospital revenues in 2001 were below the COPA's patient revenue cap by approximately \$0.2 million. Combined with prior years, which had a balance of \$0.2 million above the cap, the cumulative deficit balance for the 1996-2000 period stands at \$0.4 million. The hospital is in compliance with the revenue cap conditions imposed by the COPA.

Total expenses for 2001, exclusive of bad debts, increased by approximately 6.2% over 2000 levels. Inflation during that period as measured by the MBI increased 3.9%.

B. Quality of Health Care Services

1. PHHS Monitoring

Pursuant to section 2 of the terms and conditions of the COPA, PHHS has reviewed the monitoring of quality of care at the hospital since the consolidation occurred. For 2001, PHHS again measured six areas for quality indicators, using consistent measurements in an effort to establish facility-specific benchmarks over time.

The data gathered through the PHHS monitoring devices show the following:

- a. Maternity services: During the reporting year, Benefis reported below the national benchmark of 2.6 days for discharges of maternity length of stay. The Department finds that the maternity length of stay at Benefis is 1.95 days on average which is below the national benchmark.

PRELIMINARY FINDINGS CONCERNING COMPLIANCE WITH TERMS AND CONDITIONS

b. Orthopedic services: Similar to the previous reporting period, the hospital showed higher than average rates of infection for post-operative knee and hip patients. Benefis reported 4 surgical site infections on 297 total hip arthroplastys of risk index 0 for an infection rate of 1.35%. They reported 4 surgical site infections on 247 total hip arthroplastys of risk index 1 for an infection rate of 1.62%. They reported 1 surgical site infection on 49 total hip arthroplastys of risk index 2,3 for an infection rate of 2.04%. The national average for risk index 0 is .78%. The national average for risk index 1 is 1.55%. The national average for risk index 2,3 is 2.07%.

Benefis reported 12 surgical site infections on 496 total knee arthroplastys of risk index 0 for an infection rate of 2.4%. They reported 10 surgical site infections on 382 total knee arthroplastys of risk index 1 for an infection rate of 2.6%. They reported 3 surgical site infections on 31 total knee arthroplastys of risk index 2,3 of an infection rate of 9.7%. The national average for risk index 0 is .87%, for risk index 1 is 1.22% and for risk index 2,3 is 2.03%. Since this appears to be a recurring issue in the annual review process, the Department urges the hospital to make every reasonable effort to address this concern.

PRELIMINARY FINDINGS CONCERNING COMPLIANCE WITH TERMS AND CONDITIONS

c. Emergency room: Waiting times for emergency room services increased slightly from the previous period, with an average wait time to R.N. assessment of 9.58 minutes this period as compared to 8.43 minutes last period. The average wait time to physician exam was 25.47 minutes which was up from 22.76 minutes last period. There are no established national benchmarks in this area. The Department finds the average waiting time to be within acceptable limits, provided critical emergencies are treated immediately, but encourages the hospital to keep its efforts focused on holding down the average waiting time for emergency care.

PHHS also found that Benefis has a lower mortality rate in emergency cardiac cases than the national and the state average. In 2001, the national average mortality rate was 10.05%, while the state average was 9.13% and the Benefis average was 6.73%. Based on these comparisons, the Department finds no reason to question the quality of emergency cardiac care at Benefis.

d. Surgical capacity and utilization: PHHS concluded that the caseload at the East Campus is causing scheduling and over-utilization concerns while the West Campus surgical service appears to have been

PRELIMINARY FINDINGS CONCERNING COMPLIANCE WITH TERMS AND CONDITIONS

under-utilized. Construction of the new surgical facility at the East Campus is underway and should have a substantial impact on East Campus capacity and utilization.

e. Rehabilitation services: Based on studies of patient improvement levels, PHHS concluded that the hospital's rehabilitation unit is again exceeding the national average for Functional Independence Measurement (FIM). The greater the number, the more improvement a patient achieved. The national average for FIM is 24.03. The regional average is 22.78. Benefis' FIM change is 26.58 which exceeds the national and the regional average. Length of stay and waiting times are also within acceptable parameters.

f. Medical/Surgical inpatients: There is no benchmarking available for infection control. The nosocomial infection rates are reported for the East Campus only. There are no acute care services at the West Campus. The nosocomial infection rates are 2.87% which is down from the previous year's rate of 3.43%.

PRELIMINARY FINDINGS CONCERNING COMPLIANCE WITH TERMS AND CONDITIONS

2. JCAHO Evaluation

The Joint Commission on Accreditation of Healthcare Organizations (JCAHO) re-surveyed Benefis in the fall of 2002. Those results will be available for next year's Annual Review.

3. Patient Satisfaction Surveys

The hospital continues to conduct patient satisfaction surveys in the areas of outpatient surgery, inpatient hospitalization, emergency room, convenience care and long term care. The overall average score of 85.73% is an improvement over the score of 85.2% for 2000. Parkside Associates (the private company that conducted the surveys) was purchased by Press Ganey, which is a much larger surveying organization. The patient satisfaction surveys were transitioned to the new entity.

4. Patient Advocate

In compliance with section 2.17 of the terms and conditions, the hospital's patient advocate continues to receive and review patient inquiries and complaints about quality of care. For the 2001 reporting year, there were 87 complaints handled by the patient advocate.

The patient advocate continues to respond in a timely manner to patient inquiries and to resolve most complaints without additional intervention from either the Regional Community Health Council or PHHS. The system she is using to identify problems,

PRELIMINARY FINDINGS CONCERNING COMPLIANCE WITH TERMS AND CONDITIONS

contact the appropriate Benefis staff, and resolve the complaints to the patient's satisfaction appears to be effective.

The number of complaints received is relatively few considering the number of patients that are admitted and discharged. PHHS recommends a continuation of quarterly meetings to review complaints to ensure the continued success of the complaint resolution process.

5. Staffing Ratios

Benefis reports a productivity improvement of 5% for R.N.s and a similar improvement for L.P.N.s.

6. Physician Surveys

A professional staff survey was administered by Press Ganey in 2001. Over 200 Physician surveys were sent, with 114 returns, reflecting a 14% decrease over the previous year. The summary report reflects an overall score of 54, which is a 10% decrease over last year's score of 59 and below the national average score of 59 for comparative hospitals in the Press Ganey survey. The most significant improvement was a 6% increase in satisfaction with the transcription service. Areas of needed improvement included numbers of nursing personnel, timeliness of follow-through on written orders, timeliness of initiation of discharge planning, and the scheduling of surgical procedures. The Department urges the hospital to continue its efforts to improve these areas.

PRELIMINARY FINDINGS CONCERNING COMPLIANCE WITH TERMS AND CONDITIONS

7. Employee Surveys

An employee satisfaction survey was completed in July 2001. The mean score for all questions on a scale of 1 to 6 (1 being the highest) was 2.98. This score is slightly more negative than the 2000 score of 2.93. Increased satisfaction is noted in the areas of job security and physical work conditions, while areas of decline included salary and benefits.

C. Charitable Contributions

The hospital provided \$3.72 million in charity care in 2001, which was a decrease from the \$4.4 million dollars of charity care in 2000. During fiscal year 2001, Benefis modified its charity care policies to increase income threshold to make eligibility for charity care less restrictive. However, despite this change, overall levels of charity care declined slightly from the previous year. Charity care remains at a level higher than the baseline level of \$1.69 million.

D. Community Health

In compliance with section 3.3 of the COPA, the volunteer Regional Community Health Council made significant contributions to community health in 2001. The Council assumed its monthly meeting schedule during 2001. It continued to review Benefis' quarterly patient satisfaction surveys and address a small volume of consumer complaints.

PRELIMINARY FINDINGS CONCERNING COMPLIANCE WITH TERMS AND CONDITIONS

A significant focus of the Council's attention in 2001 was mental health needs in the Great Falls region. The Council also developed plans with Benefis to procure an independent contractor to update and maintain its website.

Benefis also provided numerous community health activities, including educational awareness and prevention programs, health screenings, and continuing education workshops throughout the state.

E. Access to Health Care Services

While the services offered at each of the two facilities, viewed independently, have changed significantly with consolidation, the overall distribution of service areas has not changed. Since 1991 the facility has experienced a decline in outpatient surgeries. This is associated with the post-consolidation entry of two outpatient surgery centers, resulting in an increase in competition for outpatient surgery services in Great Falls. The hospital has a minority ownership interest in one surgery center operated by the Great Falls Clinic.

In 2001, Benefis transferred ownership of its home health department to Spectrum Medical, a for-profit subsidiary of Benefis. Benefis is also a partner in a joint venture, which recently constructed a new fitness center. The Department finds that Benefis is in compliance with section 4 of the terms and conditions pertaining to the provision of services.

PRELIMINARY FINDINGS CONCERNING COMPLIANCE WITH TERMS AND CONDITIONS

F. Other Conditions

The Department finds that Benefis is complying with other terms and conditions of the COPA not specifically discussed previously in these findings.

III. CONCLUSION

Benefis completed most of its merger-related consolidations and renovations prior to 2001. There are several renovation and construction projects planned or in progress that are related to modernization rather than consolidation. Benefis has satisfied the revenue cap requirements for calendar year 2001 and continues to offer prices lower than other large and medium-sized Montana hospitals. The Department commends Benefis for honoring its commitment to pass merger-related savings on to Montana consumers through lower prices and increased charity care.

The Department urges Benefis to work toward stabilizing the effects of the consolidation on its workforce and its patients. Hospital management continues to work hard to identify issues of concern and areas for improvement, and has shown a high level of commitment to continuous improvement in patient care and employee satisfaction.

Comments on these preliminary findings will be accepted until January 10, 2003. Comments should address the extent to which the consolidation has affected hospital-based health care costs, quality of health care services provided by the hospital, and

PRELIMINARY FINDINGS CONCERNING
COMPLIANCE WITH TERMS AND CONDITIONS

accessibility of health care services. Comments may be sent to the Department at the following address:

Agency Legal Services Division
Montana Department of Justice
1712 Ninth Avenue
P.O. Box 201440
Helena, MT 59620-1440

DATED this _____ day of December, 2002.

MIKE McGRATH
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